

Reflections on Housing a Nation

A Collection of Commentaries by Mah Bow Tan



About Reflections on Housing a Nation

The book is a compilation of nine commentaries, penned by Minister for National Development Mah Bow Tan in conjunction with the Housing & Development Board's 50th anniversary in 2010.

They capture Mr Mah's thoughts on different public housing issues, such as the approach to supply and pricing, how HDB caters to different groups of Singaporeans, as well as the challenges in housing a nation, today and tomorrow.

The commentaries were first published in the TODAY newspaper from September to December 2010.



Reflections on Housing a Nation

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“This compilation of writings by Minister Mah Bow Tan provides an excellent insight into the thinking behind the policy formulation in Singapore’s public housing programme. It deals with the ‘hardware’ and ‘software’ of what it takes to house the nation. Yet, the essays are easy to digest and appeal to readers who can associate themselves with many of the issues. Singaporeans and those interested in the subject can see how the relevant choices are considered by the policy makers and how the needs and aspirations of a wide cross-section of the population are met in tandem with the goals of national development.”

Ong Keng Yong, Director of the Institute of Policy Studies,
Lee Kuan Yew School of Public Policy and Ambassador-at-Large,
Ministry of Foreign Affairs

“This landmark series of commentaries by Mah Bow Tan tackles some of the toughest housing challenges facing Singapore today, such as the availability and affordability of HDB flats. Having shaped the public housing landscape over the past 10 years, Minister Mah is able to draw on a wealth of personal anecdotes, an often overlooked historical perspective, and a realistic insight into future demands to analyse the challenges, constraints, and trade-offs facing both policy makers and individual home buyers.”

Walter Fernandez, Editor of TODAY

“Singapore’s public housing policies are not merely aimed at providing shelter and building homes; they are part of a larger national programme with wider objectives including community development, strengthening the fabric of the society, and nation building. As such, these policies need to account for the unique set of circumstances facing the country at different stages of its development and are therefore not immediately easy to understand. Minister Mah has, through the series of articles, clarified in clear and simple language how these policies have helped to create Singapore’s successful public housing story.”

Yu Shi Ming, Associate Professor and Head, Department of Real Estate,
School of Design and Environment, National University of Singapore

“However critical one may be of Singapore’s public housing policies, the commentaries by Minister Mah represent an important reference source in understanding the thinking and rationale shaping these policies – now and in the future. The commentaries themselves are unprecedented, a milestone of sorts, and I applaud the move to publish them.”

Colin Tan, Director, Research & Consultancy Department,
Chesterton Suntec International



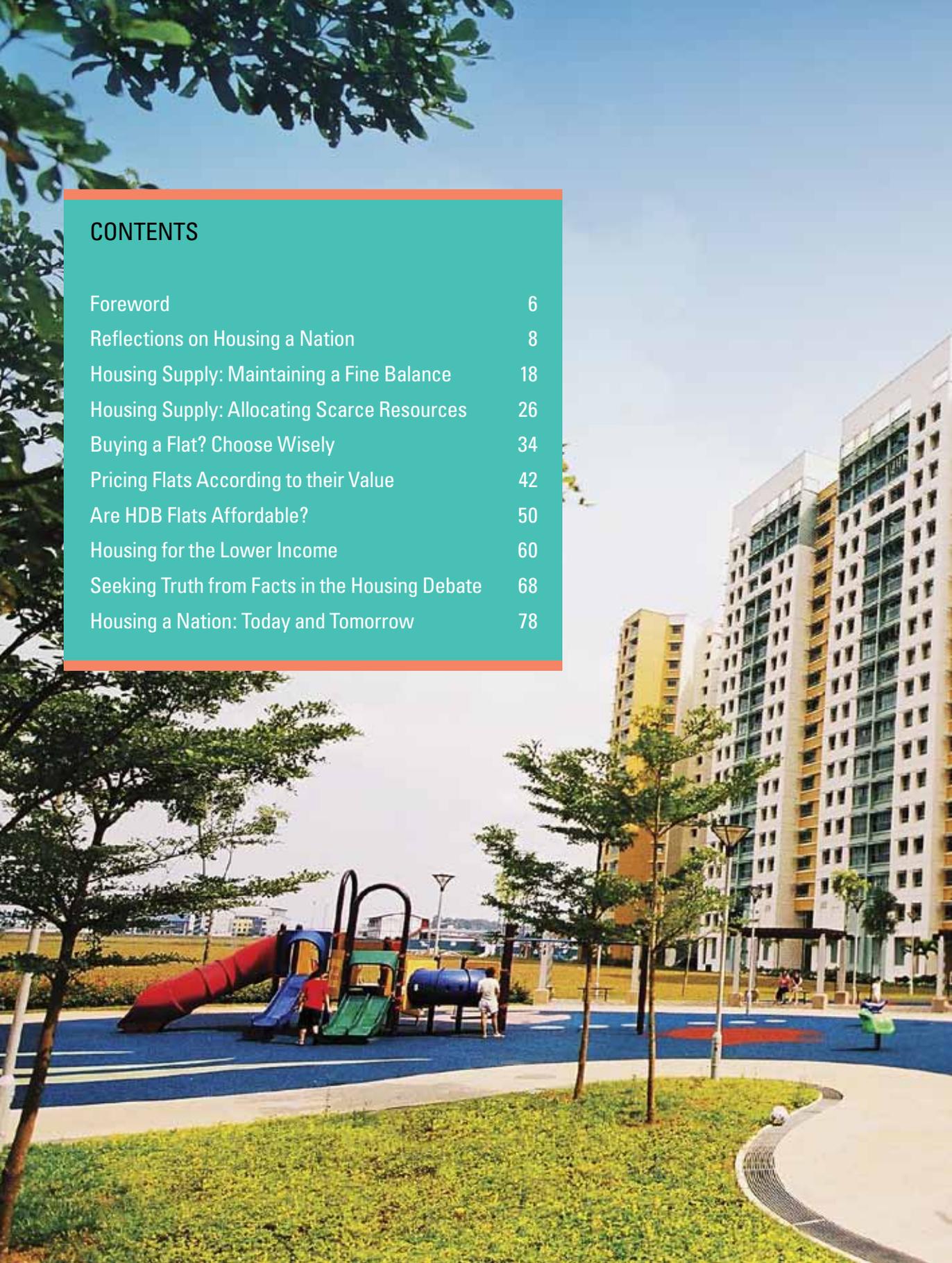
“This book more than adequately fills the need to communicate Singapore’s successful housing strategies to younger Singaporeans who may be apprehensive about Singapore’s dynamic housing market, as well as to interested foreign observers of the local housing system. It can also provide a great resource for students who need case studies on the economics aspects of policy making.”

Colin Ong Tau Shien, Economics Educator



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Foreword

When I became Minister for National Development in 1999, I was aware that a major part, indeed the most politically sensitive part of that portfolio was my responsibility for Singapore's public housing programme.

I was fortunate that I had a solid foundation to build on, a foundation that had been laid by pioneers like Mr Lim Kim San. HDB has indeed come a long way. In 2010, it celebrated five decades of housing success, transforming the slums and squatter colonies of pre-independence Singapore into the vibrant high-rise towns we see today, shaping an entirely new city-scape.

HDB provides not just a roof over the heads of more than 80 per cent of Singaporeans. It also creates new communities, forging new ties and new memories for a young nation. Our public housing programme may have garnered widespread international recognition and numerous accolades. But it is the unique HDB experience, as shared by two generations of Singapore families, which testify most strongly to HDB's success.

This has not been an easy effort. In carrying out our public housing programme, we have to work within a limited budget, and policy trade-offs have to be made. Over time, Singaporeans' aspirations and expectations have shifted, in tandem with the country's



economic development. Nonetheless, our commitment remains unchanged – to provide quality homes at affordable prices for our people, and to transform our estates and towns into a sustainable and world-class living environment.

Last year, in conjunction with HDB's 50th Anniversary, I wrote a series of commentaries which examined various aspects of Singapore's current housing system, such as housing supply and affordability. These nine pieces were published in the TODAY newspaper between September and December 2010, and captured my thoughts on these important and topical issues.

In response to various requests, I have decided to compile the series of commentaries into a booklet. I hope this will provide more readers with a better understanding of the thinking and considerations behind many of our key public housing policies. I wish to thank the staff of the Ministry of National Development and HDB for assisting me in the preparation of the commentaries.

Virtually every Singaporean has been touched, in one way or another, by what HDB has achieved these past 50 years. The HDB story is really the story of modern Singapore. I am deeply honoured to be given the opportunity to contribute to this remarkable story.



Mah Bow Tan
February 2011



Reflections on Housing a Nation







Reflections on Housing a Nation

Revisiting the Government's core commitments and discussing their relevance to Singapore today

My earliest childhood memories are of growing up in an attap hut that was part of a kampung somewhere in Hougang. We drew water from a well and ate by the light of a kerosene lamp. Later, we moved to a small room in a shophouse in Bugis Street, now the site of Bugis Junction, where we slept under, not on a bed. But at least we had running water and electricity.

Our next move was to an Singapore Improvement Trust (SIT) flat in Kim Keat Avenue with my uncle's family, sharing one small bathroom, before moving finally to a Housing & Development Board (HDB) flat in Toa Payoh. This last one had a shared bathroom too, but the mercy of a separate toilet.

Today, I live with my family in a house where we have our own attached bathrooms.

I shared my housing story with Parliament in 2010 when debating HDB issues. The remarkable thing about my story is that it is not an uncommon one. It will sound familiar to many Singaporeans, who have gone through the same experience.

From humble beginnings, through hard work and determination, they have moved up to bigger, better, and more comfortable homes – homes that they can call their own.

Housing is one of man's most basic needs. Yet in many countries, decent housing is beyond the reach of many.

My counterpart ministers who visit Singapore often ask me: How did we do it – house so many of our people in good quality, affordable housing?

With HDB celebrating its 50th anniversary in 2010, I agreed to a suggestion by the TODAY newspaper to pen a series of fortnightly columns to share my thoughts on public housing.

I will start by revisiting the core commitments that have shaped our public housing system over the last five decades, and discuss their relevance to Singapore today.

Our Core Commitments

Homes for ownership: First, home ownership has been the hallmark of our public housing system. Today, nine in 10 people staying in public housing own their flats, the highest rate in the world.

Rather than making people pay “dead rent” with no returns for a roof over their heads, the Government decided early on that prudent mortgages can be a “good debt” that allows every citizen, every family, to have a concrete stake in this country.

Homes for the masses: Second, public housing was designed from the start to cover the majority of Singaporeans, unlike the case in most countries. Today, 80 per cent of our people stay in HDB flats. Public housing in Singapore is not just about putting roofs over people’s heads, but also about building an inclusive home for all Singaporeans.

Homes for life: Third, our housing commitment to Singaporeans is a long-term one. HDB not only sells you a flat, but comes back to upgrade it from time to time, the budget permitting.

In your golden years, we help you unlock the value of your flat if necessary, with schemes such as the Lease Buyback, which allows you to stay in the flat while getting a regular income.

Looking ahead, are these commitments still relevant? I certainly believe so. We can debate the extent of our public housing coverage, or the types of housing to provide. But these core values are important to building a cohesive and stable country with independent and financially secure people.

Our Challenges Ahead

While maintaining our core objectives, we need to adjust our policies to suit the changing circumstances and needs of our people. Looking ahead, I see three key challenges:

Homes for first-timers: Over the last 50 years, we have progressed from a nation of home seekers to home owners.

To maintain our promise of a concrete stake for all Singaporeans, we must focus on helping young couples buy their first flats. Hence, we have refined our policies to give them more priority – be it in terms of housing grants for resale flats, or access to new flats.

However, we must strike a balance.

Yes, we will build enough flats for young home buyers. But we must also be careful not to over-build and cause values to be depressed, to the detriment of current home owners. Because a flat buyer today becomes a flat owner tomorrow, it is in the long-term interest of young home buyers for HDB flats to maintain their value.

“To maintain our promise of a concrete stake for all Singaporeans, we must focus on helping young couples buy their first flats.”





Homes for diverse needs: Building homes for 80 per cent of Singaporeans means having to cater to buyers who have widely different incomes and aspirations.

In the 1960s and 1970s, HDB built standard flats of a simple design. Today, it offers a greater variety of housing – from standard flats to premium designs like The Pinnacle@Duxton, from Build-To-Order (BTO) to Design, Build and Sell Scheme (DBSS) flats and Executive Condominiums – to meet the aspirations of different segments of Singapore society.

However, this greater variety comes with a wider range of prices. Buyers have to exercise their choice carefully, making sure they buy something that is within their means.

Homes within our budget: Public housing takes up a big chunk of the State's budget – \$1.7 billion in 2010.

While we are committed to providing affordable housing, we also have a responsibility to Singaporeans to ensure that the housing budget is used carefully.

“Building homes for 80 per cent of Singaporeans means having to cater to buyers who have widely different incomes and aspirations.”

Overcoming Early Challenges

HDB was set up on February 1, 1960. At that time, many were living in unhygienic slums and crowded squatter settlements. Only 9 per cent of Singaporeans lived in government flats. Taking over from its predecessor, the SIT, HDB was tasked with solving the nation's housing crisis.

It built 21,000 flats in less than three years. By 1965, it had built 54,000 flats and within 10 years of its formation, HDB had the housing problem under control. Today, over 80 per cent of Singaporeans live in HDB flats.

The fact that such difficult goals were met only reflected the sound strategy adopted towards public housing, which had three important fundamentals.

First, the concept of a sole agency in charge of public housing enabled more effective resource planning and allocation. This made it possible for HDB to secure land, raw materials, and manpower for large-scale construction to optimise results and achieve economies of scale.

Second, a total approach to housing was adopted – from planning and design to land assembly and construction. The task was viewed as a seamless whole through the allocation, management, and maintenance of housing resources.

Lastly, strong government support in the form of political and financial commitment helped put the early public housing programme on the right track.



Buyers will prefer higher subsidies so that they pay less. But that means more money for housing at the expense of education, healthcare, defence, and other national needs. Every Singaporean ultimately is a home buyer, a home owner, and a taxpayer. How do we balance the different interests of each of these groups?

Another issue: How do we share our resources, such as land and government subsidies, between present and future generations?

There are no easy answers.

In the coming columns, I will discuss the various aspects of public housing, such as our approach to supply, pricing, and how we cater to different groups of Singaporeans, including those with lower incomes. ■

This column was first published in the TODAY newspaper on September 3, 2010.





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Housing Supply: Maintaining a Fine Balance







Housing Supply: Maintaining a Fine Balance

Providing affordable housing to the masses and managing demand fluctuations

Recently, I received an appeal from a young couple who had applied for the first waterfront BTO project at Punggol Waterway Terraces. Seeing the high application rates, they were worried that HDB was not building enough new flats and that prices would shoot up beyond their reach. The couple commented: “We read from the papers that the number of new flats completed each year by HDB has been lower than the number of marriages in recent years. This means that HDB is not building enough flats for the new households.”

This couple’s concern may be shared by many Singaporeans. Let me explain why things are not so straightforward, and how HDB plans its housing supply to fulfil both short- and long-term needs of the people.

Providing Affordable Housing to the Masses

Meeting first-timer needs: The Government’s commitment remains clear and constant – to provide affordable housing to the masses. Today, eight in 10 Singaporeans stay in HDB flats. To keep our commitment to future generations, HDB must focus on helping young couples buy their first flats.

Supporting resale flat purchases: But this does not mean that we need to build a new flat for every new household. Why? Because some households may buy resale flats instead of new flats for various reasons, such as location and flat type. HDB supports them by providing a CPF grant of \$30,000 to \$40,000 and a loan subsidy. Those with lower income can also qualify for an additional grant of up to \$40,000. Among first-timers, 30 to 55 per cent of them took up resale flats rather than new flats each year over the past decade.

Supplying new flats: After accounting for what is met through the resale market, HDB then builds new flats to meet the housing needs, with more flats set aside for first-timers. In planning the housing supply, HDB takes a comprehensive approach. It examines not just the marriage rate, but also factors like the inflow of permanent residents and foreigners, flats released into the resale market through deaths or emigration, and upgrading or downgrading by existing home owners.

Between 2000 and 2010, HDB built and sold more than 100,000 new flats. This was equivalent to adding three new Toa Payoh towns. The resale market was even more active in the same period, supplying over 300,000 or three times more flats. Together, new and resale flats have met the long-term housing needs of Singaporeans.

Managing Demand Fluctuations

Fluctuating short-term demand: However, things are never so simple. While supply over the medium term is roughly aligned with projections, housing demand in the short term can be much more volatile. Home buyers will adjust their purchases, depending on the economic outlook and market sentiments. When prices are low, buyers hold back, hoping it will go down further. Conversely, when prices are high, more buyers may come forward, worried that they may miss the boat.

So, while marriages among Singaporeans eligible for public housing stayed largely unchanged over the past decade at about 16,000 per year, demand for subsidised housing from first-timers fluctuated between 12,000 and 19,000 per year over the same period. Total transactions in the HDB market varied even more sharply during this period, ranging from about 37,000 to 58,000 transactions annually.

Toa Payoh: Home of the HDB Hub

Toa Payoh is one of the first few public housing estates built. Formerly a swampland, it was developed in 1965 based on the 'Neighbourhood Principle', which groups several neighbourhoods around a town centre.

As one of Singapore's oldest housing estates, it was the first to benefit from the Estate Renewal Strategy – an integrated and systematic approach to rejuvenate older HDB towns, making them comparable with newer estates.

An iconic representation of Singapore's heartland, Toa Payoh is now home to around 35,000 flats and over 100,000 HDB residents. It also houses the HDB Hub, headquarters of HDB.



“To keep our commitment to future generations, HDB must focus on helping young couples buy their first flats. But this does not mean that we need to build a new flat for every new household. Why? Because some households may buy resale flats instead of new flats for various reasons, such as location and flat type.”



Avoiding an oversupply: If HDB were to fly on auto-pilot and supply a fixed number of flats every year, regardless of market conditions, there would be the risk of an oversupply in some years. For example, between 2002 and 2006, resale flat prices had remained largely uniform. If HDB had pressed on with housing supply based on long-term projections, then flat prices for the over 800,000 existing home owners could have been depressed further.

Responding to Rising Volatility

Managing unprecedented changes: The market changes in 2009 and 2010 had been especially challenging to anticipate. As late as May 2009, the International Monetary Fund (IMF) was predicting a 'long, severe recession' for Asia. Surprisingly, the number of new immigrants to Singapore actually increased during the downturn, as economic activities recovered quickly.

Equally important was the impact of sentiment. Property prices tapered off in the first half of 2009, even though there were many foreigners here. But prices picked up sharply not only in Singapore, but also in the region, when the outlook improved dramatically in the second half of 2009 amidst low interest rates globally.

Responding swiftly: In response to the sharp recovery, HDB rapidly increased the offer of new flats from the earlier plan of 6,000 to 9,000 in the second half of 2009. For 2010, HDB raised its planned output by more than 30 per cent, from 12,000 to over 16,000 new flats. It is also prepared to launch up to 22,000 in 2011. At this rate, in just two years, we will offer more flats than what is currently available in Toa Payoh.

Maintaining a Balance

Determining the right housing supply for the short term will always be a difficult call, and we have to strike a delicate balance. Economic conditions and sentiments can change much faster than any building plan. So, while we plan our housing supply to broadly meet longer term needs, we also have to build in some buffer to deal with short-term fluctuations.

Some might suggest that HDB could go further and build a much larger buffer or build ahead of demand to deal with market fluctuations. But this would then create the problems of high holding costs and a potential supply-demand mismatch, which I will deal with in my next column.

Ultimately, whatever the system of flat application, trade-offs have to be made between supplying too little to meet home buyers' needs and supplying too much to the detriment of existing home owners or taxpayers. These are trade-offs that we must balance carefully in the overall interests of all Singaporeans. ■

Supplying Flats through the BTO System

Prior to the current Build-To-Order (BTO) system, HDB was relying on a process called the Registration for Flats System (RFS). However, the RFS queue system resulted in an oversupply of flats when the housing demand plunged during the Asian Financial Crisis in the late 1990s. HDB ended up with a stock of unsold flats, and clearance of this stock became the focus in the early 2000s.

The new BTO system was then introduced in 2001. A flexible and responsive system, it allows HDB to adjust its building plans according to real demand.

Supply can be ramped up through the launch of more BTO contracts. Conversely, if demand slows, HDB can scale back to avoid oversupply and an accumulation of unsold stock. On top of that, the BTO system also provides more certainty to flat buyers in terms of location and flat design.



Housing Supply: Allocating Scarce Resources







Housing Supply: Allocating Scarce Resources

Balancing different interests with the BTO system

The property market has a history of repeating itself. I guess that is why they call it the property cycle. There is a huge clamour for flats today, and we can't seem to build flats fast enough to satisfy demand. Yet, when I became Minister for National Development in 1999, one of my first challenges was to deal with an overhang of more than 31,000 unsold flats.

Almost every year, until 2006, Members of Parliament expressed their concerns in Parliament about the unsold stock, and asked what steps HDB was taking to clear it. The Auditor-General's Office, too, urged the Board to reduce its unsold stock, highlighting the high cost of holding vacant flats. HDB had to come up with all sorts of ways to clear the flats – converting five-room and executive flats into smaller two- and three-room ones, organising roadshows, implementing walk-in selection of the ready flats, and engaging managing agents to rent out unsold flats temporarily.

One may argue that the Singapore of today is very different. But the huge oversupply experience not so long ago taught us many valuable lessons; that oversupply is as bad as undersupply, and that we need to manage the building programme carefully, including allocating new flats in a fair, cost-effective and efficient way.

There are essentially three ways to allocate a scarce resource like housing: by price (that is, highest bidder gets it), by queue (that is, first-come, first-served), or by ballot (that is, draw lots). Allocating by price is basically the way resale flats are bought and sold in the free market. The buyer who offers the highest price gets the flat.

While this is most efficient, the drawback is that prices can be volatile and the lower income group may lose out. So, for new flats, HDB has adopted either a queue system or ballot system.

Queue System

In the past, flats were allocated on a first-come, first-served basis. HDB built flats assuming that everyone in the queue was a serious buyer who would book a flat eventually when his turn came. This was a reasonable



assumption in earlier years, as there was a great housing shortage. The resale market was relatively undeveloped and HDB was the predominant source of housing.

However, as we progressed from a nation of home seekers to home owners, the situation changed. Demand became more volatile. Many, even those with existing roofs over their heads, could now easily join or exit the queue. At the height of the property boom in the mid-90s, there were as many as 150,000 buyers in the queue, and the wait for a flat was as long as seven years. However, when the Asian Financial Crisis struck in 1997, the queue vanished, virtually overnight. HDB ended up with 31,000 unsold flats, which took more than five years to clear.

Because of the unintended oversupply, home buyers could walk in to buy ready flats in the early 2000s. However, home owners paid a heavy price, with flat prices staying depressed. Some who bought flats just before the crisis ended up with negative equity and even lost their homes and hard-earned savings. The many unsold flats represented a waste of taxpayers' money. The holding cost incurred was money that could have been spent on healthcare, education, or other areas.

Build-To-Order (BTO) System

In 2002, HDB switched to the BTO system to respond better to demand that was becoming more sentiment-driven. Under this system, buyers ballot for the chance to select a flat. Certain groups, such as first-timers and those applying to live near their parents, are given extra tickets in the ballot to increase their chances of getting a flat. Ninety-five per cent of the flat supply is set aside for first-timers. Buyers have to pay a downpayment to secure a booking. Each booking represents a committed buyer. HDB proceeds to build when the majority of flats are booked. Flats are ready for occupation within three years of booking.

“The many unsold flats represented a waste of taxpayers' money. The holding cost incurred was money that could have been spent on healthcare, education, or other areas.”

Priority in the BTO System for First-Time Buyers

- From 2001 to April 2004, 85 per cent of new public flat supply was set aside for first-timers.
- From May 2004 till July 2007, the priority system was tweaked and first-timers were given twice the weightage in the ballot over second-timers.
- In August 2007, the priority for first-timers was further enhanced under the 'Improved Priority for FTs'. They were given two chances in the ballot over second-timers, and at least 90 per cent of the public flat supply was also set aside for them.
- In recognition that first-timers have greater housing needs, another enhancement was made in November 2009 by setting aside at least 95 per cent of public flat supply for first-timers.
- Additional chances are accorded to first-timers who were unsuccessful two times or more when applying for a BTO flat in non-mature estates.

Comparing the Build-To-Order and Registration For Flat System

Mode of Sale	Registration For Flat System (RFS)	Build-To-Order (BTO) System
<p>Pros</p>	<p>Certainty of flat allocation Applicants must indicate their choice of flat type and zone, and were selected on a first-come, first-served basis within their respective first-timer and second-timer queues. This provided flat applicants a certainty of success in allocation of a flat when their turn is due.</p>	<p>Build according to real demand Construction will proceed only when majority of flats in the BTO project is booked. This overcomes the mismatch of supply and demand under RFS.</p> <p>Flexible and responsive to demand BTO allows HDB to adjust its building plan according to real demand. HDB can ramp up supply when demand surges. Conversely, HDB can scale back its supply when demand falls, so as to avoid oversupply.</p> <p>Certainty on location of new flats to be offered Applicants have knowledge of the location, flat type, and other details of the BTO project before submitting their application. This allows them to make an informed decision.</p>
<p>Cons</p>	<p>No certainty on location of new flats to be allocated As RFS applications are on zonal basis, applicants did not have the certainty on the location of new flats to be allocated when they submit their applications.</p> <p>Mismatch of supply and demand Building plan was based on RFS queue, which dissipated during economic uncertainty, resulting in a high volume of unsold flats.</p>	<p>No certainty on success of flat allocation As allocation is by ballot, applicants have no certainty of success of flat allocation.</p> <p>Nevertheless, in recognition that first-time buyers have more urgent housing needs, they enjoy double the chances in the application for flats as compared to the second-timers.</p> <p>In addition, at least 95 per cent of the flats for public applicants are set aside for first-timers. Additional chances are also accorded to unsuccessful applicants from their third try onwards in non-mature estates.</p>

This will be reduced to two-and-a-half years for a typical project. Couples who wish to shorten the waiting time further can apply under the Fiancé/Fiancée scheme.

With better matching of supply and demand, the BTO system prevents a major supply overhang. It also allows HDB to retain a small rolling buffer of a few thousand balance flats, which minimises holding costs to taxpayers. When demand is high, as it is now, the number of BTO projects is stepped up. Today, over nine in 10 first-timers get to select new flats within three attempts.

Nonetheless, there may be a small number who are unlucky in balloting exercises. I understand their frustration. I have therefore asked HDB to look into increasing the chances further for those with multiple unsuccessful applications.

However, many of the cases I see are not as “unlucky” as they claim to be. Recently, a Mr Ng wrote to me saying that he had balloted unsuccessfully more than six times. “Unlucky couples like me will never ever have a chance to purchase a flat under the BTO system,” he said.

When I asked HDB to check, I was told that Mr Ng had in fact been given four chances to select a flat but did not do so. When this was highlighted to him, Mr Ng acknowledged that he had not selected a flat “due to unavailability of suitable units”. When I probed further, HDB told me that on most occasions, there were many units available for him to choose from.

While Mr Ng has every right not to select and wait for his ideal flat, I hope he understands that HDB cannot accede to his appeal to be given priority in future BTO exercises. Indeed, to be fair to those who genuinely need a flat, the Board has since 2008 removed for one year, the first-timer status of those who have rejected two chances to book a flat.

Balancing Different Interests

Each method of allocating flats has its pros and cons, and may be right for different circumstances. No one system will please everybody. The BTO system is by no means perfect, but it is the most appropriate system for the moment, balancing the need for fairness, prudence and efficiency. We will continue to monitor and tweak it as we go along.

We remain committed to our mission of supplying enough flats, of good quality and at affordable prices, as quickly as possible to home buyers. However, we must do so in a way that does not create problems of oversupply for home owners and taxpayers down the road. We must remember the lessons of the past even as we address the housing needs of today. ■

This column was first published in the TODAY newspaper on October 1, 2010.

DID YOU KNOW?



If we stack all the HDB flats built one on top of another, the total height will be 2,800km (1 million x 2.8m = 2,800km).

This works out to be the estimated distance from Singapore to India (2,898km).

This is also equivalent to around 20,000 blocks of The Pinnacle@Duxton piled on top of one another.

Buying a Flat? Choose Wisely







Buying a Flat? Choose Wisely

Taking one step at a time by making choices within our means

“Shall we apply for an HDB flat?” This is how Singaporean men propose to their beloved. So we are told – I am not sure how common this is. However, this uniquely Singaporean marriage proposal reflects a common aspiration among many young couples intending to wed – getting an HDB flat.

This desire to own a marital home has remained unchanged over the years. But what buyers want from a home has changed. As our nation and people progressed, their hopes and dreams for housing have risen and become more diverse. How has HDB’s housing programmes responded to these changing aspirations?

Responding to Rising Aspirations

Providing housing to the masses: The Government’s core commitment – to provide affordable housing for the masses to build an inclusive home – remains firm and clear. But housing the masses is no longer just about providing a basic shelter. People ask me: Why doesn’t HDB stick to providing basic housing? The answer is simple: Our people have changed and they no longer want only basic housing.

The proportion of HDB residents with tertiary education, for example, has increased five times over the last 20 years, from 6 per cent in 1987 to 31 per cent in 2008. Average household incomes have also increased almost four times over the same period, from \$1,500 in 1987 to \$5,700 in 2008.

Offering a wider range of flat types: In the early days, when we faced a huge housing shortage, HDB focused on building simple and functional one-, two-, and three-room flats as quickly as possible.

But in the 1980s, with rising affluence, there were few takers for smaller flats. Therefore, the Board had to build more four-room, five-room, and executive flats. With economic growth becoming more volatile in the late 1990s and 2000s, HDB resumed the building of three-room flats in 2004 and two-room flats in 2006. These flats provided options for lower income households and those wanting to right-size their homes as they age.

“People ask me: Why doesn’t HDB stick to providing basic housing? The answer is simple: Our people have changed and they no longer want only basic housing.”



Offering a wider range of designs: Buyers of new HDB flats range from households earning less than \$1,500 a month to those earning up to \$10,000 a month. To provide greater choice and variety for higher income buyers, HDB allowed private developers to participate in public housing projects, first through the Executive Condominium Housing Scheme in the 1990s, and later through the Design, Build and Sell Scheme (DBSS) in the 2000s.

Several new HDB developments also feature innovative designs and test new concepts for public housing. The award-winning The Pinnacle@Duxton, HDB's first 50-storey development featuring seven blocks linked by skybridges, is particularly close to my heart.

The project is historically significant as it stands on the site of HDB's first flats in the area – two slab blocks completed in the 1960s. It visibly symbolises the transformation of Singapore and our public housing programme over the past 50 years.

To turn this project into reality, I had to persuade my Cabinet colleagues to keep this prime downtown location for public housing, instead of selling it to private developers. I also asked HDB to organise an international design competition to attract the best designs for the project.

The Waterway Terraces at Punggol is another example of unique design, setting new benchmarks for waterfront living for public housing.

Making Choices within Our Means

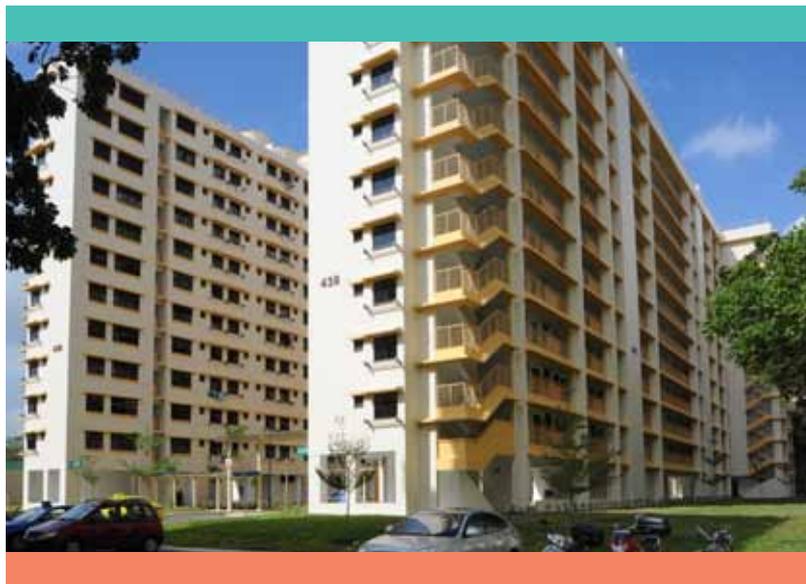
Staying focused on standard flats: More flat choices inevitably mean a wider range of flat prices. The old days – when HDB flats were all uniform slab blocks sold at similar prices – can no longer remain.

Singapore's Tallest Public Housing Project

The Pinnacle@Duxton, standing at 50 storeys high, is Singapore's tallest public housing development. It comprises seven blocks and a total of 1,848 units, and is currently situated at the Duxton Plain site, where the first two HDB rental blocks in the area were built and launched in 1963.

Because of the historical significance of the site, an international architectural competition was organised to gather the best design ideas for high-rise living in the city. The winning design from ARC studio architecture + urbanism and RSP Architects was selected from over 200 proposals received.

Unique features of the concept include skybridges and sky gardens at the 26th and 50th storeys, linking all the seven blocks together in a variety of facade elements. In fact, the 12 skybridges create possibly the longest continuous sky garden in the world, with the heaviest bridge weighing close to a Boeing 747 aircraft at over 350 tonnes.



Different Flats to Suit Different Budgets and Needs¹

Monthly household income	Budget ²	2-room	3-room	4-room	5-room	DBSS
\$2,000	\$190,000	Woodlands Dew \$90,000	Yishun Riverwalk \$160,000			
\$3,000	\$250,000	N/A ³	Waterway Terraces \$210,000	Yishun Riverwalk \$240,000		
\$5,000	\$420,000	N/A ³	Toa Payoh resale \$300,000	Bedok resale \$370,000	Woodlands Meadow \$300,000	Parc Lumiere @ Simei (4-room) \$400,000
\$8,000	\$670,000	N/A ³	Queenstown resale \$320,000	Bishan resale \$450,000	Dawson BTO \$590,000	The Peak @ Toa Payoh (5-room) \$630,000

1. Based on typical prices of new BTO flats at launch, resale median prices as at second quarter of 2010 and DBSS average prices at first launch.
2. Based on 30 per cent DSR, servicing a 30-year HDB concessionary loan. Eligible first-timers buying resale flats can apply for a \$30,000/\$40,000 CPF housing grant. In addition, eligible first-timers earning not more than \$5,000 per month can also apply for the Additional CPF Housing Grant of up to \$40,000.
3. As at October 2010, the income ceiling for 2-room and 3-room new flats from HDB is \$2,000 and \$3,000 a month respectively.



The premium flats, with better designs, better finishes and at better locations, will command a premium price. However, these form only a fraction of the new flats offered. The bulk of HDB's supply will remain good quality standard flats, offered in a wide variety of locations and more affordable for Singaporeans.

Buying within our means: It is natural for all of us to want a better home. I am encouraged that HDB's premium developments such as The Pinnacle@Duxton and Waterway Terraces at Punggol have been popular and have kept pace with Singaporeans' aspirations. But I also worry that as we provide greater choices to meet diverse aspirations, some may overstretch their budgets to buy these flats.

HDB offers a range of flat choices for every budget: For example, a household earning \$5,000 a month can choose a more centrally located three-room flat in Toa Payoh, a four-room flat in Bedok, or a five-room flat further away in Woodlands (see table on p. 40). I urge home buyers to consider the trade-offs between the price, size, and location of the flat, and carefully choose one that best suits their needs and budgets.

I know young flat buyers will want to find the perfect first home. It is entirely understandable. At the same time, I would encourage them to be prudent and start with a flat within their means. They should not over stretch themselves when they are not ready to get their dream flat.

HDB provides different flat options and up to two subsidised loans. These will help young couples to right-size their homes as their incomes improve. With their whole lives ahead of them, they should take it one step at a time. ■

“HDB provides different flat options and up to two subsidised loans. These will help young couples to right-size their homes as their incomes improve. With their whole lives ahead of them, they should take it one step at a time.”

Pricing Flats According to their Value







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Pricing Flats According to their Value

Ensure fairness for all buyers and across generations

The prices of HDB flats are always a subject of much public interest. In my conversations with young couples, a common question I hear is: “Why are HDB flats so expensive? Prices today seem much higher than what our parents paid in the 1970s and 1980s!”

I can understand these concerns, especially from those looking to buy their first homes. Yes, flat prices have increased over the years. But, in this commentary, I will explain why this has happened and, more importantly, why rising flat prices, if supported by economic fundamentals, is in the overall interest of everyone – home owners and home buyers.

Providing a Home and Asset

Home ownership versus rental: Governing is about making choices and trade-offs. Which policy will bring greater benefit to the people? What are the implications and costs to taxpayers? In public housing, governments have to make a fundamental choice between home ownership and rental models. Most countries have chosen the rental option. Tenants pay subsidised rents, but own nothing.

Singapore decided early on to promote home ownership. We subsidise public housing so that each family can own, rather than rent, their home. The flat becomes a store of value that can appreciate over time as the country develops. We are the only country in the world that has made affordable home ownership a major pillar of its public housing policy.

Resale at market versus cost – Unlocking value: Having chosen home ownership, we must then allow the true value of the flats to be recognised and realised.

Again, we have a choice. Do we require the flat to be sold back to HDB at a fixed price, or do we allow it to be sold on the open market? We have chosen the latter. We let the market determine prices but keep a close watch to temper excessive exuberance, where necessary.

Today, every HDB flat has an open market value which its owner can realise, after staying in it for a minimum period. The value of HDB flats today reflects Singapore’s growth and prosperity since the 1970s.



While owners may be happy that the value of their flats has gone up, what about first-time buyers? How do we fulfil our commitment to provide an affordable home for them? We do so in two ways: one, by giving them housing grants to buy resale flats; and two, by building new flats which are sold at subsidised prices within the reach of various income groups.

Hundreds of millions are spent each year to subsidise first-time buyers. That is why the home ownership rate among young Singaporeans is so high, unlike many other cities in the world.

Ensuring Fair Pricing of New Flats

For resale flats, we have allowed the market to determine their prices based on value. How do we set the prices for new flats? Broadly, there are two options: Price according to market value or price according to cost.

Fairness for all buyers: In the early years, HDB adopted a zonal pricing system, where the price of each new flat was fixed according to geographical zones. Pricing largely took into account the cost incurred in building the flats and the same price was charged for a given flat type within the zone, regardless of its actual location and attributes. A flat on the 10th floor was priced exactly the same as the one on the second floor. Back then, there was practically no open resale market.

However, as we allowed the resale market to develop in the 1980s, buyers showed that they clearly valued different flats differently, depending on factors like location, view, and design.

They were willing to pay much more for a top floor flat commanding the best view, compared to a lower floor one facing the bin centre. HDB could no longer price a top floor unit the same as the one lower down.

To do so would be most unfair to the lower floor buyers. Therefore, HDB started moving towards market-based pricing.

New flats are now priced based on what professional valuers assess similar flats would fetch in the open market, but discounted with a substantial subsidy. This is fairer for two reasons. First, all buyers would get the same public subsidy that they can encash, if the flat was sold in the resale market. Second, buyers would pay for what they get, in terms of location, direction, view, or other attributes.

Fairness across generations: Some have argued that land specifically should not be valued at market levels, since some plots had been compulsorily acquired in the past at low cost.

If we follow this logic, we should price a flat built on expensive reclaimed land in, say, Punggol much higher than a flat in Tanjong Pagar built on land acquired by the State. Surely, this is not fair for the Punggol flat buyer, when the Tanjong Pagar flat clearly has a higher resale value? More importantly, we need to recognise the true market value of land, so that the precious limited land we have is used prudently and optimally. If land is undervalued, we will use up more land now at the expense of future generations.

Affordability to buyers: If market-based pricing is fairer, why do some people argue for cost-based pricing? Perhaps they believe that cost-based pricing means cheaper flats. But this is not true. To ensure affordability, HDB gives extensive subsidies below market value. As a

“Singapore decided early on to provide home ownership. The flat becomes a store of value that can appreciate over time as the country develops. We are the only country in the world that has made affordable home ownership a major pillar of its public housing policy.”

Home Ownership: The Cornerstone of Singapore’s Housing Story

Before 1964, all HDB flats were intended for rental. But things changed when the Government introduced the Home Ownership Scheme that year. The Scheme encourages citizens to buy their flats, instead of renting them. To complement the efforts, the Government launched a host of initiatives, from generous subsidised loans to lower deposits for the flats.

Today, more than 80 per cent of Singaporeans live in HDB flats, and about 95 per cent of them own the homes they live in. This success can be attributed to the introduction of several key policies implemented since the early years. The Land Acquisition Policy allowed the Government to acquire land for large-scale public housing and infrastructure development, while the liberalisation of the CPF regulations enabled Singaporeans to make use of their CPF savings for home purchases. These steps made home ownership within reach of the masses.

result, market-based prices can be below cost. For example, for Punggol Spectra and Fernvale Crest – two recent BTO projects – the average development cost per flat was \$220,000 to \$240,000, while the average selling price was \$160,000 to \$200,000, or \$40,000 to \$60,000 below cost.

HDB flats are generally priced below their development costs. Over the last three years, the average annual loss on the sale and development of HDB flats was around \$600 million. If we include other housing subsidies, such as the Additional Housing Grant and the CPF Housing Grant, HDB's total annual deficit would be about \$1 billion.

Housing affordability can be achieved under any pricing system. It all depends on the level of subsidy given. I know some first-timers worry that market-based pricing leaves them entirely at the mercy of market forces. Let me assure them that HDB reviews its subsidies regularly to ensure affordability for first-time home buyers. I will discuss this issue in greater detail in the next column.

Recognising Value in Pricing

Today, we have built a unique public housing system that is based on home ownership. It offers Singaporeans not only shelter but also a store of value. Singaporeans generally understand and are prepared to pay for the value. This is why some of the higher priced, premium HDB flats attract more buyers than the more affordable, standard flats. For example, there were 13 applicants per flat for the Punggol Waterway Terraces, compared to four to seven applicants per flat for standard BTO projects launched there this year.

We must price new HDB flats such that the public subsidies that can be realised on resale are fairly distributed across buyers. As the custodian of public wealth, the Government must also use its resources wisely, including land, regardless of how they were acquired, so that the needs of current and future generations of home buyers can be met.

Recognising the value of the flat in its pricing is a key part of this. ■

This column was first published in the TODAY newspaper on October 29, 2010.



Are HDB Flats Affordable?







Are HDB Flats Affordable?

Explaining the yardsticks used to measure affordability

Recently, HDB was conferred the UN-Habitat Scroll of Honour Award – the most prestigious human settlements award in the world. In recognising Singapore’s achievement, the UN-Habitat Chief of Information Services said: “It’s really quite impressive for a country to provide adequate shelter and home ownership for so many.”

Ask most housing experts and observers, and they will say that HDB flats remain within reach of the majority of Singaporeans. After all, HDB builds and sells flats at heavily subsidised prices to ensure affordability. This has made it possible for an average of 15,000 young couples every year to join the ranks of proud home owners.

Most of these couples buying new flats use just 20 to 25 per cent of their monthly income to pay for their flats. With their CPF contributions, few have to pay any cash for their mortgage payments. In total, more than 80 per cent of Singaporeans live in 900,000 HDB flats today. Yet, people still worry that HDB flats are not affordable. Why are there such sentiments?

Indeed, housing affordability – whether a flat is within financial reach – is not a straightforward issue. Different people have different notions of what is “within reach”. Some argue that a 30-year housing loan is too long for a flat to be considered affordable. Others say that flat prices are much higher compared to their parents’ era. The debate is further complicated by rising aspirations – whether housing is “within reach” also depends on what we aspire towards.

For a meaningful discussion on affordability, we need objective and commonly accepted yardsticks. So, what are the measures of affordability? How does HDB ensure that flats remain within reach of Singaporeans?

Measures to Ensure Affordability

Focus on first-timers: To ensure that first-time buyers have access to affordable housing, we do several things. First, HDB prices its new flats below market value, taking into account the income of home buyers. Hence, first-timers enjoy a substantial subsidy when they buy new flats from HDB.



Next, for first-timers who cannot wait for a new flat or wish to buy a specific flat in a specific location, HDB provides a CPF Housing Grant of \$30,000 (or \$40,000 if they stay near their parents) to buy a resale flat. Beyond that, new and resale flat buyers can apply for a concessionary loan. For a \$200,000 loan over 30 years, the interest subsidy amounts to about \$30,000.

Help according to income: For households earning \$5,000 or less a month, an Additional CPF Housing Grant of up to \$40,000 is provided for their purchase of new or resale flats. In other words, a family earning \$1,500 can get as much as \$80,000 in housing grants. Families earning more, between \$8,000 and \$10,000, can now buy new flats under the Design, Build and Sell Scheme (DBSS), in addition to Executive Condominiums, and enjoy a CPF Housing Grant of \$30,000.

Measures of Affordability

I have been discussing affordability in layman's terms. Let me now get into the technical stuff. In particular, how do experts determine housing affordability? There are a few generally accepted benchmarks.

Income affordability: One is the Housing Price-to-Income ratio (HPI), which compares median house price to annual household income.

In a *Straits Times* article in February 2010, two National University of Singapore professors, Tu Yong and Yu Shi Ming, noted that Singapore's HPI for resale flats in non-mature estates is 5.8, compared to Hong Kong's 19.8 and London's 7.1.

Debt Service Ratio for New Flats in H1 2010 based on Median Applicants' Income

Flat type	Budget ¹	Average Selling Price ¹	Median Household Income of Applicants ²	Eligible Additional CPF Housing Grant (AHG)	Monthly Instalments for Mortgage Loan ³	Instalments to Income Ratio	Net Price/Income Ratio
2-Room	\$68,000 - \$114,000	\$97,000	\$1,400	\$40,000	\$228	16%	3.4
3-Room	\$122,000 - \$237,000	\$169,000	\$2,300	\$30,000	\$556	24%	5.0
4-Room	\$201,000 - \$376,000	\$273,000	\$4,200	\$10,000	\$984	23%	5.2
5-Room	\$279,000 - \$458,000	\$359,000	\$5,600	\$0	\$1,293	23%	5.3
					Average	23%	5.1

1. Prices based on flats offered in non-mature estates in the first half of 2010.
2. The household income is based on new first-timer applicants in non-mature estates in the first half of 2010.
3. Monthly mortgage instalments computed based on 90 per cent of selling price, at the HDB concessionary interest rate of 2.6 per cent over 30 years.
4. The Additional CPF Housing Grant (AHG) is used to offset the downpayment/loan, where applicable.



That means Singaporeans generally need 5.8 times of their annual household income to buy a resale flat in non-mature estates, whereas a Hong Kong resident needs more than three times that amount.

If we take the Department of Statistics 2009 data on the median income of younger households – those aged between 25 and 35 years old – who are likely to be first-timers, their HPI is even lower, at 4.5 for resale flats and 3.8 for new flats. This is because they have higher incomes than average households.

Financing affordability: While the HPI is relatively easy to understand, it does not consider factors like loan availability and financing costs, which are important for many deciding to buy a flat. Therefore, another widely-accepted measure is the Debt Service Ratio (DSR), which looks at the proportion of the monthly income used to pay mortgages.

The DSR for new HDB flats in non-mature estates, based on an industry norm of a 30-year loan, averaged 23 per cent in 2010. This is well within the 30-35 per cent international benchmark for affordable expenditure on housing.

Depending on flat type, the DSR ranged from 11 per cent for standard flats to 29 per cent for premium projects like the Punggol Waterway Terraces, which cater to higher income households.

We must also remember that CPF savings can be used for the initial downpayment and monthly instalments. Hence, more than 80 per cent of new flat buyers pay for their housing loans entirely out of CPF, without having to touch their take-home pay.

Whichever objective measure we choose, it is clear that there are enough HDB flats within reach of today's home buyers. They range from smaller, no-frills flats in non-mature estates to premium flats in mature estates, catering for different aspirations and budgets (see table on p. 55). I hope buyers choose carefully, taking into account their budgets and aspirations. Housing affordability is decided not just by the options offered by HDB, but also the choices of home buyers.

“More than 80 per cent of new flat buyers pay for their housing loans entirely out of CPF, without having to touch their take-home pay.”

More Housing Options in DBSS

To widen the housing options for Singapore citizens, the monthly household income ceiling for Design, Build and Sell Scheme (DBSS) flats has been raised from \$8,000 to \$10,000 with effect from August 30, 2010.

Eligible first-timers in this income group will be given a \$30,000 CPF Housing grant to finance the purchase of a new DBSS flat.

Balancing Home Buyer and Taxpayer Interests

I can understand the anxiety among young couples wanting to buy a flat of their choice, within their budget, and as soon as possible. HDB has ramped up supply significantly and recently introduced more measures to temper excessive exuberance in the market and to moderate prices.

HDB also regularly reviews its subsidies to ensure affordability. But I must caution that there are limits to how much we can increase subsidies, without compromising other objectives.

In other words, we must also consider affordability from a national standpoint. If we increase housing subsidies, what would we have to give up? The quality of education for our children? Healthcare services for our parents? Or do we impose a higher tax burden on Singaporeans?

There are no easy answers. Ultimately, we need to balance the interests of affordability for home buyers and the burden on taxpayers. ■

This column was first published in the TODAY newspaper on November 12, 2010.

The UN-Habitat Scroll of Honour Award

The UN-Habitat Scroll of Honour award was launched by the United Nations Human Settlements Programme in 1989, and is currently the most prestigious human settlements award in the world.

Its aim is to acknowledge initiatives which have made outstanding contributions in various fields such as shelter provision, highlighting the plight of the homeless, leadership in post-conflict reconstruction, as well as developing and improving human settlements and the quality of urban life.

HDB was presented with the award on World Habitat Day, October 4, 2010 at the Shanghai Expo. The UN has chosen the first Monday of October every year as World Habitat Day, to celebrate the basic human right to proper housing.



Left:
HDB's Chief Executive Officer Dr Cheong-Chua Koon Hean and Chairman Mr James Koh receiving the award on HDB's behalf.

SALES DISPLAY



Housing for the Lower Income







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Housing for the Lower Income

It's all about giving hope for a better future

In my earlier commentaries, I have shared my thoughts about public housing in Singapore – why we actively promote home ownership, why HDB has to build different flats for different buyers, and how flats are made affordable. But the path to home ownership is not always easy for some families, especially if they fall on hard times.

Take the case of Mdm P. She was only 35 when she divorced her husband and was awarded custody of her two young children. She was not working and had no income. Her future seemed bleak.

After assessing Mdm P's case, HDB helped her with a subsidised rental flat. Seven years on, Mdm P has a good steady job and has moved her family to a three-room HDB flat in Sengkang. She pays for her housing loan almost entirely out of her CPF contribution. Mdm P is hopeful of the future for her and her family.

This is the heart of the HDB story – hope for a better future for all Singapore families. However, I am sometimes asked if home ownership is really possible for the lower income, when they can barely make ends meet. Aren't they better off just staying in a public rental flat, perhaps for the rest of their lives?

Supporting Home Ownership

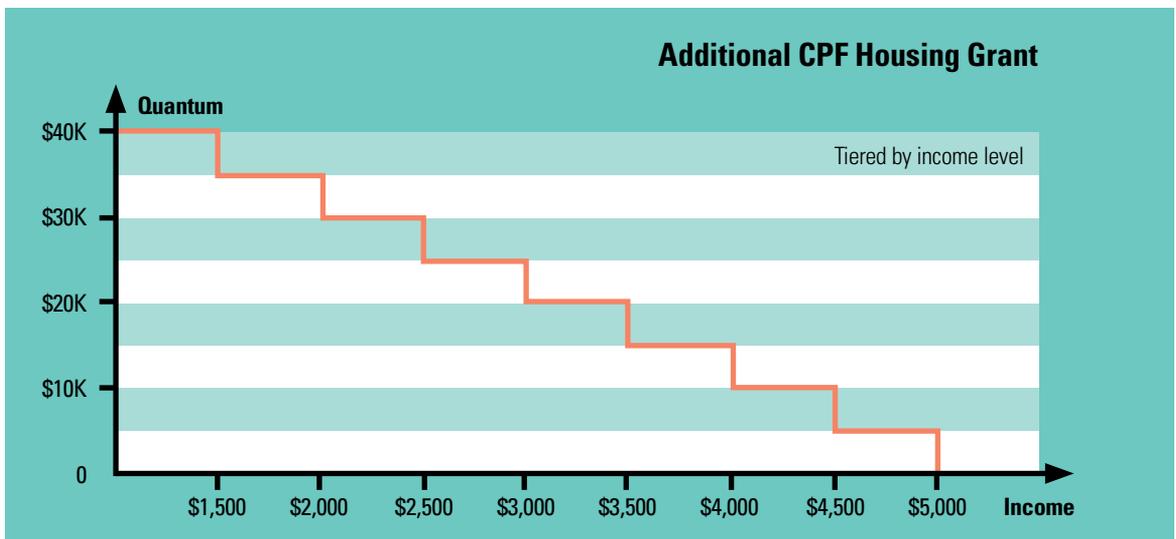
Since its earliest days, HDB's main objective has been to give families a home and a stake in the country. Home ownership for the lower income may not be easy, but it is possible with hard work and some additional help from the Government.

The Additional CPF Housing Grant (AHG) was introduced in 2006, and increased in 2007 and 2009, to help flat buyers with lower incomes to own their first homes (see graphic on p. 65). As the name suggests, the AHG comes in addition to the existing market subsidy for new flats and the CPF Housing Grant for resale flats. HDB also builds more affordable two-room and three-room flats for lower income families.

Take the case of a first-timer family earning \$1,400 a month and buying a two-room BTO flat. Besides enjoying the market subsidy on their flat, they can also enjoy a \$40,000 AHG and obtain a loan from HDB, if eligible. Their monthly mortgage payment comes to \$230, which is

“Home ownership for the lower income may not be easy, but it is possible with hard work and some additional help from the Government.”





16 per cent of their household income. Even better, their mortgage payment can be paid fully from their CPF.

Safeguarding the Housing Safety Net

Despite the extensive subsidies, there may still be some who find it difficult to own a home. They may be unable to work due to old age or physical disabilities. Or they may face temporary setbacks, like Mdm P. HDB's heavily subsidised public rental flats represent the final safety net for these needy families, even as social agencies help them to improve their longer-term incomes. The monthly rent for a one-room flat can be as low as \$30.

To speed up the allocation of public rental flats to this group, HDB has been increasing the supply of rental flats since 2007. Eligibility rules for rental flats have been tightened to safeguard them for the truly needy. For example, those who have substantial savings or enjoyed significant proceeds from the sale of their previous HDB flats do not qualify for rental flats.

In line with our philosophy that family should be the first line of support, the elderly are encouraged to stay with their children as far as possible.

Through these measures, HDB has reduced the waiting time for rental flats from 21 months in 2008 to about nine months in 2010.

Guarding Against Abuse

Should HDB provide subsidised rental flats to all who come forward for help? About eight out of 10 appeals for rental flats are from those who have previously owned subsidised HDB flats. Many of them have cashed out on their flats and spent their proceeds, sometimes without any clear plan for their next home.

A few elderly applicants also have children who could help to house them. Recently, a Mdm T appealed for a one-room flat, claiming that she had a hard time living with her married son. She had cash savings and owned a car. She also received a regular allowance from her children. She even told HDB that her children would hire a maid to look after her in the rental flat.

In such cases, is it wise for the State to take over the responsibility of looking after them, because they could not get along with their family?

If HDB were to do so, would this not encourage such behaviour? Would this be fair to other home owners who have made responsible choices? Or to taxpayers who have to fund the subsidised rental flats?

Tackling Upstream Issues

The problems faced by lower income families with housing needs are often multi-faceted, extending beyond housing alone. HDB tries to tackle the problems upstream with other agencies, while maintaining rental housing as the final safety net.

For families in mortgage arrears, HDB's housing counsellors advise them on their accommodation options, including how to right-size to more affordable flats. To prevent families from selling their flats

Helping Home Seekers Purchase Flats within their Means

To prevent flat buyers from over stretching their budget, HDB has required all flat buyers from January 1, 2007, to obtain the HDB Loan Eligibility (HLE) letter. This has helped reduced the incidence of households falling into mortgage arrears. HDB adopts a pro-active approach in assisting households in financial difficulties, and tailors the solutions to cater to the specific needs of the affected parties. In addition, housing counsellors have been deployed in all HDB Branch Offices to help households facing mortgage arrears.

The Board also has various financial assistance measures in place to help households, such as allowing them to pay by instalments, and deferring or reducing their instalment payments for a short period of time. However, these interim measures are meant to give home owners some time to resolve their financial problems. Flat owners themselves must exercise financial responsibility and be pro-active in working out long-term solutions to their arrears problems. The long-term measures are:

- Including a working family member as a joint owner;
- Enhancing household income by i) subletting rooms, ii) liaising with social assistance agencies for job matching and financial aid;
- Helping households to right-size their flats.



without considering their next home, HDB recently introduced a seven-day cooling period for home owners to think through their decisions carefully. Meanwhile, the new Council for Estate Agencies will act against errant agents who mislead home owners into selling their flats.

Building Homes and Hopes

Public housing in Singapore goes beyond providing a roof over the heads of lower income families. Being able to own a home – a valuable asset – helps families to build hope and improve their lives and that of their children. The Government is committed and prepared to help lower income Singaporeans in this journey to home ownership. But citizens must take responsibility for themselves too. Otherwise, our safety net of public rental housing would collapse under pressure.

We recognise that some families may need to rebuild their lives slowly and the path to home ownership may take a longer time. Mdm P and others like her have shown us that this journey is still very possible, despite the challenges. We must continue to support hardworking families to build the hope of a better future.

This HDB story is ultimately part of our Singapore story. ■

This column was first published in the TODAY newspaper on November 26, 2010.

Above:
This picture shows the interior of an HDB rental flat. The Government is looking to increase the number of rental flats from 45,000 to about 50,000 units by 2012.

Seeking Truth from Facts in the Housing Debate





Singapore



Seeking Truth from Facts in the Housing Debate

Explaining the trade-offs in creating a nation of home owners

Over the past few commentaries, I have explained how the Government provides affordable housing for the majority of Singaporeans, and how these flats are not only a home, but also an asset which grows in value to support social mobility and provide for old age.

Many readers have said they now understand the issues better and agree with the hard choices that the Government has to make. But some others have disagreed with the Government's policies. I welcome this debate on our public housing system. It will help us improve.

But let us do so with an open mind, and a full understanding of the facts. Dr Goh Keng Swee used to quote the Chinese saying, "Seek truth from facts (实事求是)". Let us heed these words of wisdom as we address the people's concerns.

Flat Supply: Homes for the Masses

One of these concerns relates to flat supply: "Why is there a need for HDB to build premium flats which are priced higher? Why not just go back to basic flats?"

To answer such questions, let us start with the Government's basic principle, which is to provide affordable public housing for the vast majority of Singaporeans – not just for 10 or 20 per cent, like most countries, but up to 80 per cent of the population.

So HDB has to build flats that cater to the diverse budgets and aspirations of many – from households earning \$1,500 a month at one end to those earning \$10,000 a month at the other.

The fact is that demand for premium flats is strong. When the premium project, Waterway Terraces, was launched in Punggol in June 2010, there were 13 applicants per flat. This was two to three times the application rate seen for standard BTO projects launched in Punggol in the same year.

“To help first-time home buyers, HDB has increased the supply of new flats and given out generous housing subsidies. Can we increase housing subsidies further? And should we? Increased housing subsidies come at a cost. What would Singaporeans have to give up?”



Nonetheless, premium flats form only a small portion of the flats offered by HDB. Most of the flats built by HDB are standard flats, of good quality, and come in a wide variety of sizes and locations. Through the provision of both standard and premium public housing projects, HDB encourages Singaporeans from a wide spectrum of incomes and backgrounds to live together to form an inclusive community.

Flat Pricing: Affordability in Equitable and Sustainable Way

The next area of concern is on pricing of flats. Some have asked: "Why market-based pricing? Is HDB making a profit at the expense of affordability?"

To answer this, we must remember that another basic principle of Singapore's public housing is to build homes for our people to own, and not rent. Owning an HDB flat gives Singaporeans an asset that grows in value along with the country's progress. We must allow this value to be realised upon the sale of the flat in the open market.

But to ensure affordability for first-time home buyers, we price new flats at a subsidy. HDB also helps first-timers buy resale flats of their choice with the CPF Housing Grant. The subsidy must be set relative to market values so that all flat buyers enjoy comparable levels of subsidy.

In contrast, a cost-based system means that the same price would be charged for different flats in the same project, regardless of their location, floor, direction, and other attributes. It would be unfair for the buyer of a second-floor unit to be charged the same price as a unit on the 40th floor with an unblocked view, because the latter would clearly fetch a much higher resale value.

For equity and the efficient allocation of resources, the selling price of flats must therefore be linked to their value, not their cost.

Some have contended that with the market-minus pricing, HDB is making money from Singaporeans. This is quite wrong. Every year, HDB publishes its audited financial accounts. In these accounts, its proceeds from the sale of new flats are shown to be far below what it costs the Board to build them. From 2007 to 2010, the average loss on the sale and development of HDB flats was about \$600 million a year.

For example, for standard BTO projects like Punggol Spectra and Fernvale Crest, the cost subsidy per family averaged \$40,000 to \$60,000. If we add other housing subsidies such as the CPF Housing Grant and the Additional CPF Housing Grant, HDB's total subsidy for first-time buyers comes to \$1 billion a year. This is a real subsidy which has to be paid by the State.

Besides providing extensive subsidies, HDB also offers a range of flat options to cater to different budgets. As shown in the table (on p. 75),

DID YOU KNOW?



Did you know that the first few HDB blocks were built just months after HDB was formed in February 1960? These were Blocks 45, 48, and 49 at Stirling Road (above). They were part of the Queenstown estate that the Singapore Improvement Trust had begun work on in the 1950s. The three seven-storey blocks of one-, two-, and three-room rental flats were handed over to residents in 1961.



buyers at each income level can choose from a wide range of flat types that are affordable to them.

More importantly, what is the reality on the ground? Here are the facts. More than eight in 10 Singaporeans live in HDB flats. Of these, 90 per cent own their flats, and the rest rent. Of those who own, 40 per cent have fully paid for their flats.

An average of 15,000 first-timers buy new or resale HDB flats every year with a government subsidy. New flat buyers use only 20 per cent to 25 per cent of their income to pay for their loans; and more than 80 per cent rely only on CPF and no cash to finance their loans. Among new BTO flat applicants, about 35 per cent apply under the Fiancé/Fiancée scheme, and the median age of these young couples is about 26 years old.

Different Flats to Suit Different Budgets and Needs¹

Monthly household income	Budget ²	2-room	3-room	4-room	5-room	DBSS
\$2,000	\$190,000	Woodlands Dew \$90,000	Yishun Riverwalk \$160,000			
\$3,000	\$250,000	N/A ³	Waterway Terraces \$210,000	Yishun Riverwalk \$240,000		
\$5,000	\$420,000	N/A ³	Toa Payoh resale \$300,000	Bedok resale \$370,000	Woodlands Meadow \$300,000	Parc Lumiere @ Simei (4-room) \$400,000
\$8,000	\$670,000	N/A ³	Queenstown resale \$320,000	Bishan resale \$450,000	Dawson BTO \$590,000	The Peak @ Toa Payoh (5-room) \$630,000

1. Based on typical prices of new BTO flats at launch, resale median prices as at second quarter of 2010 and DBSS average prices at first launch.
2. Based on 30 per cent DSR, servicing a 30-year HDB concessionary loan. Eligible first-timers buying resale flats can apply for a \$30,000/\$40,000 CPF housing grant. In addition, eligible first-timers earning not more than \$5,000 per month can also apply for the Additional CPF Housing Grant of up to \$40,000.
3. As at October 2010, the income ceiling for 2-room and 3-room new flats from HDB is \$2,000 and \$3,000 a month respectively.

* The same table has been published on p. 40.

Is there any other major city or country that is doing this for their young people?

No Easy Answers

I totally understand the concerns about housing supply and affordability, given the recent run-up in property prices. This is a problem of success. Prices have risen because the economy has improved, people have good jobs, and there is confidence in our future.

When flat prices appreciate, home owners benefit but home buyers worry. To help first-time home buyers, HDB has increased the supply of new flats and given out generous housing subsidies. Can we increase housing subsidies further? And should we? Increased subsidies come at a cost. What would Singaporeans have to give up?

Some have suggested cutting the defence budget. Others say we should under-price the land for public housing. But will these moves have serious repercussions on stability and the security for our children? Given the limited space in Singapore, will artificially under-pricing land encourage excessive consumption and reduce what future generations can enjoy?

As a responsible government, we must look after Singapore's long-term interests and guard against easy and populist suggestions. If we adopt short-sighted measures, we undermine the fundamentals that have brought us stability, prosperity, and progress. This is what we really cannot afford. ■

This column was first published in the TODAY newspaper on December 10, 2010.





Housing a Nation – Today and Tomorrow





Artist's Impression



Artist's Impression



Artist's Impression

Housing a Nation – Today and Tomorrow

Explaining the trade-offs in creating a nation of home owners

When Kit Chan performed “Home” at this year’s National Day Parade, she struck a chord with many in the crowd, including me. This is my home. This is where people can “build our dreams together”. This is what “will stay within me, wherever I may choose to go”.

In this series of commentaries, I have explained how the Government strives to foster a sense of home and belonging for all Singaporeans through a massive public housing programme. In this final piece, let me sum up how HDB delivers this housing commitment in three ways: Homes for the masses, home ownership, and homes for life.

Housing for Home Buyers

Homes for the masses: HDB builds and prices flats to achieve home ownership for the masses. Unlike some other countries where public housing caters to the poorest minority, HDB’s mission is to house the masses so that we can build an inclusive nation. But we face two growing challenges.

As we become a nation of home owners, demand from flat buyers, many with existing homes, has grown more volatile and sentiment-driven. Oversupply is as worrying as undersupply. Therefore, HDB moved to

Remaking Our Heartland (ROH)

At the 2007 National Day Rally, Prime Minister Lee Hsien Loong unveiled plans to transform new, middle-aged, and old HDB estates into more vibrant homes for Singaporeans. Punggol, Yishun, and Dawson were the first heartland towns and estates selected. Hougang, East Coast, and Jurong Lake areas were selected for the second phase of HDB’s \$1 billion ROH plans, which will share four common themes:

- Rejuvenating homes, as well as town and neighbourhood centres
- Enhancing outdoor recreation choices
- Improving connectivity to activity nodes
- Promoting heartland identity and heritage



the current BTO system, so that its new flat supply can respond to demand changes, while keeping a small buffer for contingencies.

As Singapore progresses, the people's aspirations are also rising and becoming more diverse. While standard flats will continue to form the bulk of new flat supply, HDB has to build different flats for different budgets and aspirations, so that public housing remains an inclusive home for Singaporeans.

Home ownership: This is the second hallmark of our housing system. We provide homes for ownership, rather than for rent, so that Singaporeans have a clear stake in the country's prosperity. But even as flats appreciate in value to the benefit of home owners, housing must remain affordable for first-time buyers. HDB therefore sets aside new BTO flats for first-timers and prices them at a substantial subsidy relative to market value. HDB also provides housing grants for first-timers to buy resale flats. This helps to ensure affordability and equity in subsidies.

Today, nine in 10 residents own their HDB flats and about 15,000 young couples become home owners every year. Beyond international measures like the Housing Price-to-Income ratio (HPI) and the Debt Service Ratio (DSR), our high ownership rate is the clearest indicator that flats remain affordable for first-timers. Most couples buying new flats use only 20 to 25 per cent of their monthly income through CPF contributions to pay for their housing loans, without any cash.

For the minority who cannot readily afford to own flats, public rental flats represent the final safety net. Even then, HDB and social agencies strive to help these families improve their situation so that home ownership remains a long-term hope for them.

Housing for Home Owners

Homes for life: HDB takes a life cycle approach to its relationship with residents. It helps young couples buy their first homes. It rejuvenates the homes and estates of the existing 900,000 home owners. It also helps older home owners right-size their homes for retirement while they remain staying within their community. Ultimately, HDB flats are not only homes but also an asset whose value can be unlocked, if needed.

Rejuvenating our homes: By 2015, more than 200,000 flats will be at least 30 years old. For older flats to remain attractive and sustain their value for home owners, HDB embarked on massive estate renewal programmes since the 1990s, focusing on Main Upgrading, Interim Upgrading, and Lift Upgrading.

Since 2007, estate renewal has taken on a larger dimension under the 'Remaking Our Heartland' programme. This goes beyond upgrading works by HDB and pulls together efforts by different agencies to give an entire town a makeover. We will breathe new life into the heartlands

P. 82:

Above:

An HDB estate before the Main Upgrading Programme

Bottom:

The same HDB estate after the MUP

by injecting new housing, rejuvenating town centres, and developing new amenities and recreational areas. These include park connectors, cycling paths, heritage trails, and features under the Active, Beautiful and Clean (ABC) Waters Programme.

In addition to enhancing the value of HDB flats, rejuvenation must focus on making towns more sustainable. Sustainability is about being able to use our land, energy, and water more effectively as well as reducing waste. Punggol will be developed as our first eco-town. Lessons learnt there will be drawn for use in existing towns.

Right-sizing our homes: By 2030, one in five residents are expected to be aged 65 and above. Our HDB estates and policies must prepare for the different needs of elderly home owners. HDB has begun to upgrade our physical environment to be more elder-friendly. All estates will be barrier-free by next year. The LUP is also on track to provide 100 per cent lift access to all eligible blocks by 2014.

As our population ages and family sizes shrink, Singaporeans may face less family support in their old age. Some may want to right-size and unlock their housing asset. HDB has put in place various options. Under the Lease Buyback Scheme, elderly home owners can receive a long-term income stream without uprooting from their surroundings.

Elderly flat owners can also rent out spare rooms or whole flats for income, as their children grow up and move out. In addition, the elderly residents can choose to right-size and buy studio apartments that are better equipped for their needs.

Building cohesive communities: Besides looking after individual home buyers and owners, HDB's larger mission is to build cohesive communities. The HDB experience is an important part of the Singapore story where people of different backgrounds, ethnicities and incomes live harmoniously together as a community.

This is why HDB spends considerable effort on planning our estates, down to the layout of blocks, precincts, and neighbourhoods. HDB void decks, playgrounds, and precinct pavilions are just some of the spaces carefully designed for residents to mix and mingle as part of their daily routine.

Homes Where We Belong

When HDB was formed in 1960, its pressing challenge then was to solve the huge housing shortage for Singaporeans. Fifty years on, HDB has succeeded beyond expectations and received numerous international accolades for its achievements. I am thankful for the selfless contributions of the many men and women in HDB through the years who have made it possible.

DID YOU KNOW?



On December 19, 2010, Deputy Prime Minister and Minister for Defence Mr Teo Chee Hean officiated at the completion ceremony of HDB's first eco-precinct – Treelodge@Punggol, which is also home to HDB's one millionth flat.

HDB's Initiatives to Strengthen Community Ties

Physical spaces where residents can interact and mingle with one another are great starting points for the fostering of active and cohesive communities. However, these community ties have to be nurtured further through various programmes over time.

HDB has put in place key community initiatives for residents to help strengthen community ties. These include completion ceremonies and welcome parties, which are platforms for neighbours to know one another and settle down in their new community easily. Residents can also develop stronger bonds as they spend time together over common interests such as community gardening and other interest groups. Not forgetting the needy among them, the social network within the community is enhanced through Project SPHERE, where community partners such as schools and their students are roped in to befriend and bring cheer to the needy and elderly residents living in rental blocks.

A signature initiative that promotes neighbourliness is the 'Good Neighbour Award' which recognises residents who, through their acts of kindness and consideration, have made a positive impact on their community.

What about the next 50 years and beyond? Clearly, the focus of HDB's challenge will evolve. Besides providing attractive and affordable flats for new home buyers, HDB's greater challenge will be to sustain the quality of life, community bonds, and value that HDB flats bring to home owners, even as our estates mature.

While the challenges in the next phase will be different, HDB's core mission of building homes and bringing hope of a better life for hardworking Singaporean families remains unchanged. With the continued support of other agencies, community leaders, and residents, I am confident that we can build an even better home for all – one where "we'll build our dreams together. Just like we've done before".

To all those who have given me comments, feedback, and suggestions for these commentaries, let me say a sincere "thank you".

Finally I hope you have enjoyed reading this series of commentaries as well as gained a better understanding on the rationale and principles behind our housing policies. ■

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“What about the next 50 years and beyond? Clearly, the focus of HDB's challenge will evolve. Besides providing attractive and affordable flats for new home buyers, HDB's greater challenge will be to sustain the quality of life, community bonds, and value that HDB flats bring to home owners, even as our estates mature.”





Artist's Impression of Jurong Lake District

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About the Ministry of National Development

Established in 1959, the Ministry of National Development is the key government ministry responsible for national land use and development planning. Its vision for Singapore is "An Endearing Home and a Distinctive Global City". It aims to achieve this by developing world-class infrastructure, creating a vibrant and sustainable living environment, and building rooted and cohesive communities.

Together with its statutory boards, the Agri-Food & Veterinary Authority of Singapore, the Building and Construction Authority, the Housing & Development Board, the National Parks Board, the Urban Redevelopment Authority, and the Council for Estate Agencies, the Ministry continues to provide the best home for Singaporeans and all those who come to Singapore.

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Mah Bow Tan is Singapore's Minister for National Development, a post he has held since 1999.

Educated at St Joseph's Institution, Mr Mah was awarded the President's and Colombo Plan Scholarships to study at the University of New South Wales, Australia. He graduated with First Class Honours in Industrial Engineering in 1971 and received his Master of Engineering degree in Operations Research in 1973.

Mr Mah joined the public sector as an Administrative Officer in 1973 where he held several public service appointments. In 1988, he was appointed Minister of State for Trade and Industry and Minister of State for Communications and Information. He became Acting Minister for Communications on July 1, 1991, and was promoted to full Minister that September. He was also appointed concurrently as the Minister for the Environment, from July 1993 till April 1995.

On June 3, 1999, Mr Mah relinquished the post of Minister for Communications and was appointed Minister for National Development.





Why can't HDB build more flats for young couples?

Why doesn't the Government exert greater control over HDB prices?

What is being done to help lower income Singaporeans with their housing needs?

Get insights into these and other issues, as *Reflections on Housing a Nation* presents a series of significant commentaries by Minister for National Development Mah Bow Tan, who discusses the thinking behind Singapore's public housing policies.

In this book, the Minister addresses various concerns and even misconceptions, as he explains the rationale, principles, and considerations behind key issues such as flat supply, flat pricing, options for home buyers, and the road ahead for HDB living in Singapore.

Over 50 years, HDB has housed a young nation successfully, creating communities, forging new ties, and building better homes for all. Learn more about the Singapore public housing model, and gain a better understanding of its continuing relevance today, tomorrow, and beyond.

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